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TAGS: [PGOV](#) [PREL](#) [GM](#)
SUBJECT: MUENTEFERING RESIGNS; STEINMEIER BECOMES
VICE-CHANCELLOR, SCHOLZ, LABOR MINISTER

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[B](#). BERLIN 1853
[C](#). BERLIN 1604

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Classified By: Political Counselor Jeffrey Rathke for Reasons 1.4 (b) a
nd (d)

[1](#)1. (C) Summary: In a surprise move, one of the Social Democratic Party's (SPD) top politicians and ministers, Franz Muentefering, announced his resignation as Vice-Chancellor and Labor Minister November 13, citing personal reasons. Later in the day, SPD Chairman Kurt Beck announced that Foreign Minister Frank-Walter Steinmeier will become Germany's new Vice Chancellor and Parliamentary Whip Olaf Scholz its new Labor Minister. Although Muentefering's wife has been suffering from cancer and recently underwent a second round of surgery, Muentefering's decision likely was also influenced by his diminished role and stature in the SPD and the governing coalition after a bruising debate with Beck over the party's direction. The selection of Steinmeier and Scholz, both closely affiliated with Gerhard Schroeder's economic reforms, to take over Muentefering's offices suggests that Beck is sending a centrist signal on domestic politics. Beck appears intent on consolidating his position in the SPD and building up the party from its weakened state during the next two years before national elections. End summary.

Steinmeier's Ascent Continues

[1](#)2. (C) Recently elected to one of three SPD deputy chairman positions (see reftel A), Steinmeier continues his rise to political influence, an astounding development for one who never has held elective office. Steinmeier's appointment as Vice Chancellor also marks a return to the German political tradition in which the foreign minister holds the second highest office in government. Steinmeier, a centrist on domestic policy, likely will face a delicate balancing act -- pursuing joint successes for the Grand Coalition while fostering a smooth relationship with sometimes left-leaning Beck, whose recent boost in the polls was based on criticism of the coalition's economic direction. In his new role, Steinmeier will have even greater authority to assert his views on foreign policy and challenge the chancellor -- as he has recently done implicitly on matters such as Russia policy or the Chancellor's meeting with the Dalai Lama. As a result, tensions between the Chancellery and Foreign Office may increase, although it appears that the SPD still does not see an interest in provoking a collapse of the Grand Coalition.

Who is Olaf Scholz?

¶3. (SBU) The new Labor Minister-designate, Olaf Scholz, is a lawyer, federal parliamentarian, and party whip from Hamburg-Altona. He was general secretary of the SPD from 2002 to 2004. A former IVLP nominee, he is generally pro-American. Scholz is a very good contact of Consulate General Hamburg (septel) and someone with whom Mission Germany has a positive relationship. As recently as November 1, Scholz indicated to Hamburg CG Johnson and Poloff that "his office is always open to the consulate."

¶4. (C) Scholz is often viewed as a pragmatic centrist in the SPD context, including with regard to foreign policy issues. For example, on Afghanistan, Scholz communicated to CG Johnson that he understands the necessity of ISAF and OEF and their importance not only to the security of western countries, but also to "upholding our international standing." Scholz said that he would like to see a change in OEF's structure (NOTE: presumably to shift some OEF training responsibilities to ISAF, an idea with currency in SPD circles; END NOTE) and also fewer civilian casualties. Overall, however, Scholz sees success in Afghanistan as crucial for NATO and understands the need for Germany to remain engaged in the country.

Why not Beck?

¶5. (C) In the coalition agreement, the appointments of the vice chancellor and labor minister rest with the SPD, and therefore with Beck, the party chairman. As a consequence, Beck could have simply chosen himself to become Labor Minister and Vice Chancellor. Beck is not lacking in ambition -- his recent moves to strengthen his position within the SPD (see reftels) strongly indicate that he has his eye on the SPD's chancellor candidacy in 2009. Beck has profited recently from being outside government, which allows

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him to take on the role of an "opposition" politician when it suits him. For example, he drew praise from the SPD rank-and-file for his populist proposal to extend the duration of unemployment benefits to older workers, contrary to the centrist direction of former chancellor Schroeder's Agenda 2010 reforms. Furthermore, our contacts in the Rhineland-Palatinate State Chancellery, where Beck also serves as Minister-President, suggest that much of Beck's attention is focused on a severe crisis in the state in which his heir-apparent and deputy minister-president, Karl Peter Bruch, is accused of illegally directing a contract to his son-in-law's company. Beck likely sees his ability to shape the struggling SPD's identity as greater from outside the government.

¶6. (C) Comment: Beck has successfully rid himself of Muentefering, an extremely skilled centrist politician who threatened Beck's rank-and-file support by his very presence in a leadership position. In that sense, Beck is strengthened. Beck's appointment of Steinmeier and Scholz, Beck sends a centrist message that may reassure Germans about the durability of the Grand Coalition, even as Beck himself tries to use his freedom from federal office to the full extent to reverse decline in support the SPD has suffered since Merkel took power two years ago. End comment.
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